

Dave Obey

Update on Wisconsin Farm and Rural Issues

September, 2005

Wisconsin's 7th District



Dear Friend,

Many important issues related to Wisconsin's dairy and farm industries are going to be addressed by Congress in the next few months.

As your hired man in Washington, I hope you will take a few minutes to look over this update on Wisconsin farm and rural issues, including information about the MILC Program, Mad Cow Testing, the Wisconsin Health Care Coop and much more.

Thank you,

Dave Obey

Your Congressman

USDA BEGINS FARM BILL DEBATE BUT FORGETS PURPOSE OF PROGRAM

For decades, the purpose of federal farm programs have been to ensure the orderly marketing of commodities so that American families and consumers have a safe and reliable supply of nutritious food and fiber while providing farmers with a fair return on their labor and their product.

There was no mention of a reliable food supply for consumers or ensuring farmers a fair return

But, in June, when USDA Secretary Mike Johanns kicked off the debate over the next Farm Bill with the announcement of forums around the country, including one at the Wisconsin State Fair, it appeared he had

forgotten the purpose of the farm programs.

While Secretary Johanns said he was approaching the process with an open mind, he also laid out a number of topics such as global competitiveness, all of which are important, but there was no mention of a reliable food

supply for consumers or ensuring farmers a fair return.

That's a mistake and farmers who care about those purposes need to join me in letting the USDA know that.

CONGRESS APPROVES FUNDING FOR WISCONSIN HEALTH CARE COOP

Farming is one of the most dangerous jobs you can do and insurance companies treat farmers as high risk, demanding higher premiums as a result.

Farmers pay on average three times as much for their health care coverage as salaried employees, according to the University of Wisconsin, and more than double the amount of other self-employed businesses.

Last year, Senator Kohl and I succeeded in including \$2.25 million to underwrite the Wisconsin Federation of Cooperatives' health care purchasing cooperative, helping to launch the effort to bring more affordable health care to Wisconsin's farmers

and rural residents.

The funding will help finance a stop-loss fund to reduce the risk for insurers by paying some of the higher-cost claims, will provide group health care coverage as an alternative to individual coverage for farmers and help stabilize premium rates over time.

This year, an additional \$2.25 million was included in the Senate version of the Agriculture budget bill, and Senator Kohl and I will be seeking to retain this funding in the final version of the bill.



FUTURE OF MILC PROGRAM IN THE BALANCE

The Milk Income Loss Contract (MILC) program was put in place in 2002 to provide a better milk price safety net. Since then, it has generated more than \$400 million for Wisconsin dairy farmers and more than \$2 billion nationally. The program helped bring an end to the inter-regional dairy rivalries that have roiled the industry for 20 years and quieted, for a time, demands for regional dairy compacts that threatened to shut out Wisconsin milk from many markets throughout the U.S.

Targeted to smaller producers, the program has become a lifesaver for many small dairy operations. Sadly, the MILC price safety net will expire on September 30, 2005 unless the White House and Congress agree to extend it, at an estimated cost of \$1.2 billion over two years.

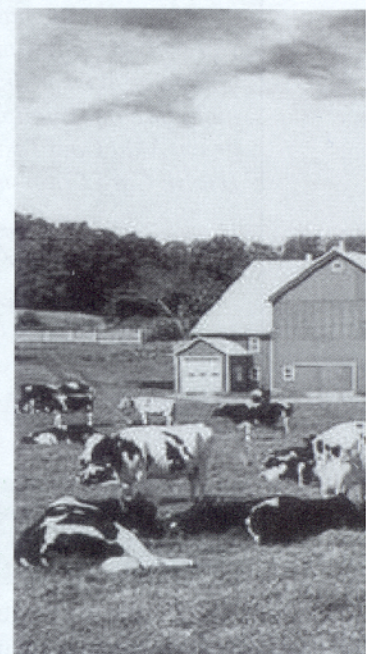
The problem for dairy farmers is that the 2002 Farm Bill authorized most commodity programs through September 2007, but not MILC which expires this year. Last year, we tried to extend the program during conference committee consideration of a disaster assistance bill. Senator Herb Kohl (D-WI) offered an amendment that provided for a two-year MILC extension. That was agreed to by the Senate conferees and it looked like the House conferees were about to agree also, but, before we could get a vote, Chairman Harold Rogers (R-KY) gavelled the meeting to a close. Subsequently, the Republican congressional leadership, which opposed the extension of MILC, stripped the disaster aid package – and the opportunity to add the MILC extension – from the bill, effectively killing our opportunity to extend the program.

At the very same time the congressional leadership was killing the MILC extension in Washington, President Bush was in Wisconsin promising to work with Congress to ex-

tend the program. I asked the White House to send a letter to congressional leaders urging them not to block the amendment, but the White House was unresponsive. Since then, President Bush, to his credit, included a modified MILC extension in his budget proposal, but he paid for it with sharp reductions in funding for corn, wheat and other commodity programs — a tradeoff that the agriculture committees in the House and Senate, which have the responsibility to move this legislation, have shown no sign they will support. That leaves MILC in a precarious situation that could have been avoided if the White House had helped us when we had the votes last year. Because it is now much harder, and because time is running out, it's time.

It's time for the President to follow through on his promise and demand that his allies in Congress send him a bill to bring dairy into line with other major farm commodities. Absent MILC, the dairy industry is likely to slip back into regional battles over compacts, as the notorious power point presented by USDA officials in April predicted, and Wisconsin dairy farmers will be the worse off.

Without more aggressive advocacy from the White House, the congressional leadership, which has already indicated its opposition to MILC, is unlikely to act.



HISTORY OF THE SUPPLEMENTAL MILK PAYMENTS PROGRAM

The Agricultural Act of 1949 established the federal Dairy Price Support Program under which the federal government stepped in to buy up surplus dairy products when prices dropped too low, and sold product when prices were rising. For many years, the program served as an effective milk price safety net. That changed in the 1980s when the Reagan Administration began to ratchet down price supports from above \$13 to below \$10.

In 1998, as part of a broad agriculture assistance program, Senator Kohl and I helped initiate the first supplemental dairy payments program to provide farmers with payments when farm milk prices dropped. Originally a one-year program, these supplemental payments were extended for three years and helped bring more than \$200 million in additional income for Wisconsin dairy farmers.

During debate on the Farm Bill in 2001, Congressman Bernie Sanders (I-VT) and I offered an amendment on the floor of the House of Representatives to establish a new supplemental payments program combined with incentives to limit production. While our plan was defeated – just a turnaround of 15 votes would have seen its adoption – the strong inter-regional support it received was enough to encourage the Senate Agriculture Committee to include it in the Senate version of the Farm Bill. In subsequent negotiations, the Senate revised the program and, with Senator Kohl a leading negotiator, Senators agreed on the Milk Income Loss Contract (MILC) program that paid farmers supplemental payments when prices dropped below a trigger of \$16.94 in Boston.

In the following years, those payments have proven to be a lifesaver for many small dairy farmers and added more than \$400 million to Wisconsin farmers' incomes.

MAD COW DISCOVERY RAISES NEW QUESTIONS ABOUT USDA TESTING PLAN

The announcement, in June, of a second confirmed case of Bovine Spongiform Encephalopathy, or Mad Cow disease, in the U.S. raised more questions about USDA testing policy.

In 2004, USDA was forced to dramatically increase its testing of animals for Mad Cow following detection of the first U.S. case, a Canadian-bred animal sent for slaughter in Washington state, and the subsequent international ban on U.S. beef products. This revised testing policy brought the U.S. up to minimal recommended international standards and it raised the number of animals tested from about 20,000 to about 400,000 annually.

However, this was still well below the Mad Cow testing of our major international competitors and was not sufficient for some major markets, including Japan which has been testing every animal presented for slaughter. Some exporters agreed to conduct voluntary testing of all animals to meet Japanese demands, but USDA has blocked those plans, and thereby blocked the ability of beef producers to export to Japan.



Further, it turned out that the June announcement of a positive result for Mad Cow came on an animal that had originally been tested in November 2004, and, despite conflicting results, declared free of the disease. The subsequent re-testing was apparently undertaken only after the Office of Inspector General at USDA insisted upon it.

I have been asking USDA to expand testing capacity since the announcement of the emergence of Chronic Wasting Disease (CWD), another brain-wasting disease which appears related to Mad Cow, among whitetail deer in Wisconsin in February 2003.

While there is still no evidence that eating the meat of CWD infected deer can be harmful, there is a World Health Organization advisory against it because there is still so little we

know about these diseases. As such, many Wisconsin hunters indicated that they would like to be able to test the deer they killed for the disease.

That could be done by expanding testing to qualified, experienced private laboratories such as the one at Marshfield Clinic, which was specifically developed for the purpose. However, USDA has adamantly refused to approve Marshfield or any other private lab, thereby denying deer hunters the ability to get testing on demand. USDA insists that testing a representative sample of deer for surveillance purposes is all that is needed.

The fact is that USDA testing policy on CWD and Mad Cow has been confused and conflicted, at best. At worst, it suggests an agency that appears determined to do all it can to make it look like it is trying to find the disease, when, in fact, it is doing all it can to avoid finding it. That won't help livestock farmers over the long term; it will only increase suspicions that the disease is present in far greater numbers than we currently know about and that will hurt the perception of the safety of our food system in the minds of consumers at home and abroad.

MAD COW IN NORTH AMERICA

A total of 5 animals in the United States and Canada have been found to be infected with Mad Cow disease – Bovine Spongiform Encephalopathy (BSE).

May 2003:

First case, a cow in Alberta, Canada discovered with Mad Cow disease.

December 2003:

First U.S. case — a cow in Washington state diagnosed with Mad Cow disease.

January 2, 2005:

Second case of Mad Cow disease discovered in Canada.

January 11, 2005:

Third case of Mad Cow disease discovered in Canada.

November 2004:

Tests on a cow in Texas return both positive and negative Mad Cow disease results.

June 24, 2005:

USDA announces November cow was infected — second U.S. case of Mad Cow disease confirmed.

FEDERAL MONEY FOR WISCONSIN'S ANIMAL ID AND CWD

As the leading Democrat on the House Appropriations Committee, I have been working with Senator Kohl, the leading Democrat on the Senate Appropriations Subcommittee on Agriculture, to identify and secure funding for Wisconsin's agriculture-related priorities.

Among the more important for the long term health of Wisconsin's animal agriculture industry is development of an animal identification system that will provide for 48-hour trace-back in the event of a disease outbreak. Over the past 4 years, Senator Kohl and I have been successful in winning \$4.75 million for the Wisconsin Live-

stock Identification Consortium (WLIC) which is developing an animal ID system for Wisconsin which, last year, was selected by USDA to be the model for the nation.

This year, the Appropriations Committee has approved an additional \$2 million for Wisconsin's animal ID program. The budget for USDA has yet to be finalized by Congress, and with an estimated \$330 billion plus federal budget deficit, nothing is guaranteed. However, the Bush Administration has finally recognized the value of the program by requesting, for the first time, that Congress approve an additional \$2 million for Wisconsin this year. As

such, I am hopeful that Congress will continue to recognize the importance of this funding which will help keep Wisconsin at the forefront of the effort to develop an effective 48-hour trace-back system.

Also important to Wisconsin is federal funding to assist the state's fight to control and eventually eradicate Chronic Wasting Disease among deer and elk. The 2006 appropriations bill includes an additional \$1.75 million to assist the state's efforts. This represents the third year of funding for the state effort and Senator Kohl and I will be working to ensure that this funding remains in the bill.

MILK PROTEIN CONCENTRATE TARIFF EQUITY BILL UPDATE

For the past 5 years, I have helped lead a broad bipartisan coalition seeking passage of legislation to close a loophole in the tariff laws that has allowed hundreds of millions of dollars worth of high protein dairy imports into the country virtually tariff-free. This loophole, which appeared after adoption of the trade agreement that created the World Trade Organization in 1994, has resulted in the displacement of millions of dollars of domestic milk production with low-cost and sometimes subsidized imports of milk protein concentrate and casein.

Despite winning the support of 200 cosponsors in the last Congress, the bill was blocked by members of the Ways and Means Committee in response to dairy manufacturers who want to keep the loophole for cheap dairy imports open. Congressman Don Sherwood (R-PA) and I reintroduced the bill in the current Congress and Senator Larry Craig and Senator Hillary Clinton have introduced identical legislation in the Senate. We continue to make the case to our colleagues that this legislation is needed and appreciate the support of virtually all farmer organizations, including Farm Bureau and the National Farmers Union.

GRAZING PROGRAM WINS ADDITIONAL FEDERAL FUNDING

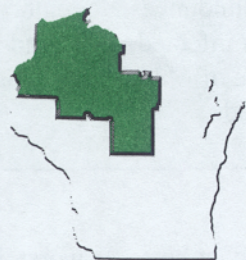
The House-approved budget for USDA includes an additional \$950,000 for the Wisconsin Grazing Lands Conservation Initiative (GLCI).

If approved this will bring to \$3.65 million the amounts we have secured since 2002. These grants are helping Wisconsin farmers become more profitable by reducing the cost of inputs through education, training and on-farm experiments in grazing practices.

Congressman Dave Obey

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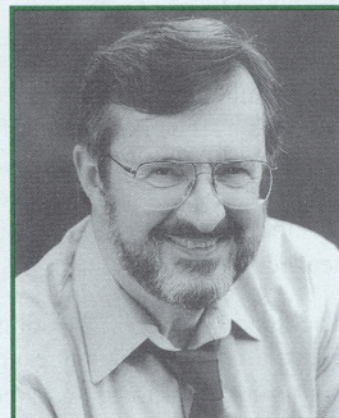
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CONGRESSMAN DAVE OBEY'S UPDATE ON WISCONSIN FARM AND RURAL ISSUES